

CORRESPONDENCE

BETWEEN

AUDITOR GENERAL AND MILITIA
DEPARTMENT

REFERRING TO

EXPENDITURE UNDER WAR
APPROPRIATION ACT

PRINTED BY ORDER OF PARLIAMENT



OTTAWA

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1915

[No. 122—1915]

CORRESPONDENCE BETWEEN AUDITOR GENERAL AND MILITIA DEPARTMENT, REFERRING TO EXPENDITURE UNDER WAR APPROPRIATION ACT.

The Under Secretary of State,
Ottawa.

DEAR SIR,—Referring to Order of the House of Commons, reference No. 10, Mover Mr. Maclean (Halifax) for copies of all correspondence which has passed between the Auditor General and the Militia Department or any other Department of the Government *re* expenditure under the War Appropriation Act, I beg to enclose herewith answer to such return in so far as the Department of Finance is concerned.

Yours truly,

T. C. BOVILLE,
Deputy Minister of Finance.

OTTAWA, February 16, 1915.

Order of the House of Commons.

SIR,—I have your reference No. 10, being an Order of the House of Commons of the 11th of February, moved by Mr. McLean, of Halifax, for a copy of all correspondence which has passed between the Auditor General and the Militia Department or any other Department of the Service in regard to the expenditure under War Appropriation Act.

The only correspondence we have had with the Auditor General are formal requisitions for letters of credit, which have been granted without further correspondence with the Auditor General.

I presume it is not necessary to send copies of these.

I have the honour to be, sir,
Your obedient servant,

F. C. T. O'HARA,
Deputy Minister.

The Under Secretary of State,
Ottawa.

AUDITOR GENERAL'S OFFICE CANADA.

OTTAWA, December 4, 1914.

The Deputy Minister of Finance,
Ottawa.

SIR,—I wish to call your attention to the expenditure made by the Department of Militia and Defence under the War Appropriation Act, 1914.

At a conference, on 27th August, 1914, at which were present officers of the Departments of Militia and Defence, Naval Affairs and Finance, and the Auditor General, held for the purpose of arriving at a working arrangement to facilitate the

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purchase and payment of supplies, etc., for the overseas contingent, it was agreed to issue a Letter of Credit to the Department of Militia and Defence, on condition that no payments would be made out of the credit until the approval of the Governor in Council was obtained for the purchase.

This arrangement was agreed to by the officials of the Department of Militia and Defence, and Letters of Credit have been issued from time to time as required.

The vouchers for payments made have been received in the Auditor General's Office for a portion of the expenditure up to the latter part of September.

An examination of these vouchers shows that the agreement referred to above has not been adhered to. Large expenditures have been made for which the approval of Council has not been obtained, at least no copies of the Orders in Council have reached me.

For auto-trucks, motors, and motor supplies over half a million dollars has been expended, for drugs, surgical supplies, etc., over \$90,000, field glasses over \$50,000, and various other items—the whole amounting to over \$1,000,000. No Orders in Council have been received for these articles.

This is only up to the end of September, since that time large expenditures have been made in October and November, but as I have not received the vouchers I cannot say what proportion has been spent without authority.

This is a clear violation of the War Appropriation Act and also of the understanding on which I consented to the issue of a Letter of Credit. I have, therefore, to request that you will inform the Department of Militia and Defence that their Letter of Credit is no longer available for payments on account of War Appropriation Account, and no further cheques may be drawn for that purpose until the provisions of the Act are complied with.

I regret the necessity for this action, but I have no other course open to me. I know it is a very serious matter to place any obstacle in the way of the Militia Department when the country is at war and with this in view I consented to an arrangement which could not, in any degree, hamper the Department. In return I had every right to expect that the Minister of Militia and Defence would carry out, not only the agreement of his officials but that he would also respect the directions of Parliament.

I am, sir,

Your obedient servant,

J. FRASER,

Auditor General.

DEPARTMENT OF THE NAVAL SERVICE.

OTTAWA, February 19, 1915.

The Under Secretary of State,
Ottawa, Canada.

SIR,—I have the honour to forward herewith Return to an Order of the Honourable the House of Commons, Reference No. 10, dated 12th February, 1915, mover Mr. Maclean, M.P., (Halifax), showing that it is unnecessary for this department to bring down copy of correspondence in connection with the expenditure under the War Appropriation Act between the Auditor General and this Department, as the correspondence is being brought down through the Office of the Auditor General.

I have the honour to be sir,

Your obedient Servant,

G. J. DESBARATS,

Deputy Minister.

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RETURN to an Order of the Honourable the House of Commons. Reference No. 10, dated 12th February, 1915, Mover Mr. Maclean, M.P., (Halifax). The Department is informed by the Auditor General that the correspondence in connection with the expenditure under the War Appropriation Act which has passed between the Auditor General and this Department, is being brought down through the Office of the Auditor General.

By Order.

G. J. DESBARATS,
Deputy Minister of the Naval Service.

Department of the Naval Service,
Ottawa, February 19, 1915.

Any correspondence between the Auditor General and the Department of the Naval Service in connection with the expenditure under the War Appropriation Act is being brought down through the Auditor General's Office and it is unnecessary therefore, that the Return be duplicated from the Department of the Naval Service.

DEPARTMENT OF MILITIA AND DEFENCE.

OTTAWA, February 20, 1915.

The Under Secretary of State,
Ottawa.

SIR,—With reference to Order of House of Commons, No. 10, dated 11-12 February, 1915, for a Return showing a copy of all correspondence which has passed between the Auditor General and the Militia Department, or any other Department of the Government service, in regard to the expenditure under the War Appropriation Act, I have the honour to inform you that I have examined the Return already sent to your Department by the Auditor General, and feel satisfied that this Return contains all the correspondence exchanged between the Department of Militia and Defence and the Auditor General.

I have the honour to be, sir,
Your obedient servant,

CHAS. L. PANET, Lt.-Colonel,
Secretary, Militia Department.

PRIVY COUNCIL, CANADA.

Ref. No. 10.

Order of the House of Commons:

Date 11-12 February, 1915.

Mover: Mr. Maclean (Halifax).

Subject: Correspondence *re* expenditure under the War Appropriation Act.

Answer: Letter, 28th September, 1914.

Order in Council, 12th January, 1915.

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PRIVY COUNCIL, CANADA.

OTTAWA, 28th September, 1914.

The Auditor General.

DEAR SIR,—I beg to request that a cheque may issue for the sum of \$133.33 in favour of Mr. P. E. Guerin, being for his services as a French translator in this office for the month of September, 1914. Mr. Guerin's employment, at the rate of \$1,600 per annum, was authorized by Order in Council No. 2369, dated 11th September, 1914. The above amount to be charged to War Appropriation.

Yours very truly,

F. K. BENNETS,

Asst. Clerk of the Privy Council.

P.C. 68.

CERTIFIED COPY of a Report of the Privy Council, approved by His Royal Highness the Governor General on the 12th January, 1915.

The Committee of the Privy Council, on the recommendation of the Right Honourable the Prime Minister, advise that authority be given for the payment of the accompanying account of the Gazette Printing Company amounting to \$1,594.88, being payment for printing, packing, etc., of 101,350 copies of Booklet entitled "Canada at War"; and that such amount be charged to the sum of \$15,000 transferred to the Privy Council Office from the Appropriation made by Parliament at its last session for the expenses of the war.

RODOLPHE BOUDREAU,

Clerk of the Privy Council.

OFFICE OF THE AUDITOR GENERAL,

CANADA.

OTTAWA, January 9, 1915.

The Clerk of the Privy Council,

Ottawa.

DEAR SIR,—Your letter of yesterday to the Deputy Minister of Finance enclosing an account from the Gazette Printing Company has been transferred to this Office.

Before certifying payment of this account I have to request that an Order in Council be passed authorizing its payment. The Order of the 18th November (No. 2906) is not sufficient.

I am, sir,

Your obedient servant,

J. FRASER,

Auditor General.

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OFFICE OF THE AUDITOR GENERAL,
CANADA.

OTTAWA, February 16, 1915.

The Under-Secretary of State,
Ottawa.

SIR,—In compliance with your request I send you herewith the correspondence of this Office asked for by Mr. Maclean (Halifax) respecting expenditure under the War Appropriation Act, and that asked for by Mr. Pugsley relating to the purchase of two submarines.

I am, sir,

Your obedient servant,

J. FRASER,
Auditor General.

CORRESPONDENCE WITH DEPARTMENT OF NAVAL SERVICE *RE* WAR
APPROPRIATION.

AUDITOR GENERAL'S OFFICE.

29th August, 1914.

The Deputy Minister of Naval Service,
Ottawa.

SIR,—I have to acknowledge receipt of your application No. 700 of 26th August, for the payment of \$1,150,000 to the Canadian Bank of Commerce being amount advanced to the Provincial Government of British Columbia for the purchase of two submarines for your Department.

Before dealing with this application it will be necessary for you to furnish me with the report of the Technical Officers of your Department mentioned in the Order in Council of 7th August and also the Bill of Sale or other documents vesting the ownership in the Dominion Government. You will observe that the amount authorized in the above Order in Council is only \$1,050,000 and this amount corresponds with the amount said to have been advanced by the Provincial Government of British Columbia as stated in the telegram of Sir Richard McBride to the Prime Minister dated 4th August, 1914.

I should also be furnished with an explanation as to what purpose the additional sum of \$100,000 is to be applied and also with an Order in Council authorizing the payment of this sum for such purpose.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

DEPARTMENT OF THE NAVAL SERVICE.

OTTAWA, October 10, 1914.

The Auditor General, Ottawa.

SIR,—I have the honour to acknowledge the receipt of your letter of August 29th last with reference to our application No. 700 for the payment of \$1,150,000 to the Canadian Bank of Commerce, being amount advanced to the Provincial Government of British Columbia, for the purchase of two submarines for this Department.

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Owing to a clerical error the purchase price mentioned in the copy of the telegram attached to our application was shown as \$1,050,000, whereas the actual price is \$1,150,000.

I enclose herewith a certified copy of the telegram received by the Premier, which I would ask you to substitute for the copy forwarded with our application.

I have the honour to be, sir,
Your obedient servant,

G. J. DESBARATS,
Deputy Minister.

VICTORIA, B.C., August 4, 1914.

Right Hon. Sir ROBERT BORDEN,
Prime Minister, Ottawa.

After consultation with Burrell and Naval Officers have advanced to-night one million one hundred and fifty thousand dollars to Lieutenant Pilcher, Senior Naval Officer in command, for purchase two modern submarines lying Seattle harbour, and built for Chile. All arrangements complete for their arrival Esquimalt to-morrow morning unless untold incident occurs. Congratulate Canada if this operation successful on acquisition of such useful adjunct defence of country.

R. McBRIDE.

I hereby certify that the above is a true and accurate transcription of a cipher Canadian Pacific Telegraph message received by the Prime Minister from Sir Richard McBride.

A. E. BLOUNT.

DETAILS OF CANADIAN SUBMARINES.

Built at Seattle by Moran Brothers for Chilian Government. Purchase price, \$1,150,000.

	Submarine No. 1.	Submarine No. 2.
Launched.....	3rd June, 1913.....	31st December, 1913.
Surface displacement.....	313 tons.....	313 tons.
Submerged.....	421 "	421 "
Surface speed.....	13 knots.....	13 knots.
Submerged speed.....	10.25 "	10.25 "
Length.....	144 feet.....	151½ feet.
B - m.....	15 "	15 "
Armament.....	5 torpedo tubes.....	3 torpedo tubes.
Torpedoes carried.....	5-18- inch.....	6-18- inch.

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Ref. 10.

CORRESPONDENCE WITH PRIVY COUNCIL *RE* WAR APPROPRIATION.

AUDITOR GENERAL'S OFFICE, January 9, 1915.

The Clerk of the Privy Council,
Ottawa.

DEAR SIR,—Your letter of yesterday to the Deputy Minister of Finance enclosing an account from the Gazette Printing Company has been transferred to this Office.

Before certifying payment of this account I have to request that an Order in Council be passed authorizing its payment. The Order of the 18th November (No. 2906) is not sufficient.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE, December 4, 1914.

The Deputy Minister of Finance,
Ottawa.

SIR,—I wish to call your attention to the expenditure made by the Department of Militia and Defence under the War Appropriation Act, 1914.

At a conference, on 27th August, 1914, at which were present Officers of the Departments of Militia and Defence, Naval Affairs and Finance and the Auditor General, held for the purpose of arriving at a working arrangement to facilitate the purchase and payment of supplies, etc., for the overseas contingent, it was agreed to issue a Letter of Credit to the Department of Militia and Defence, on condition that no payments would be made out of the Credit until the approval of the Governor in Council was obtained for the purchase.

This arrangement was agreed to by the officials of the Department of Militia and Defence and Letters of Credit have been issued from time to time as required.

The vouchers for payments made have been received in the Auditor General's Office for a portion of the expenditure up to the latter part of September.

An examination of these vouchers shows that the agreement referred to above has not been adhered to. Large expenditures have been made for which the approval of Council has not been obtained, at least no copies of the Orders in Council have reached me.

For auto-trucks, motors, and motor supplies over half a million dollars has been expended, for drugs, surgical supplies, etc., over \$90,000, field glasses over \$50,000 and various other items—the whole amounting to over \$1,000,000. No Orders in Council have been received for these articles.

This is only up to the end of September. Since that time large expenditures have been made in October and November but as I have not received the vouchers I cannot say what proportion has been spent without authority.

This is a clear violation of the War Appropriation Act and also of the understanding on which I consented to the issue of a Letter of Credit. I have, therefore, to request that you will inform the Department of Militia and Defence that their Letter of Credit is no longer available for payments on account of War Appropriation Account and no further cheques may be drawn for that purpose until the provisions of the Act are complied with.

I regret the necessity for this action but I have no other course open to me. I know it is a very serious matter to place any obstacle in the way of the Militia Department

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when the country is at war and with this in view I consented to an arrangement which could not, in any degree, hamper the Department. In return I had every right to expect that the Minister of Militia and Defence would carry out, not only the agreement of his officials but that he would also respect the directions of Parliament.

I am, sir,

Your obedient servant,

J. FRASER,

Auditor General.

FINANCE DEPARTMENT, OTTAWA, September 3, 1914.

JOHN FRASER, Esq., I.S.O.,
Auditor General,
Ottawa.

DEAR Mr. FRASER,—I enclose herewith a memorandum of the results arrived at at the meeting held on the 27th August, on the subject of the War Expenditure.

Yours very truly,

T. C. BOVILLE,

Deputy Minister of Finance.

MEMORANDUM RESPECTING WAR EXPENDITURE.

Under instructions from the Minister of Finance, a meeting was convened in the office of the Minister of Finance at 4 p.m.; August 27, 1914, at which the following were present:—

The Auditor General,
The Deputy Minister of Militia,
The Deputy Minister of Naval Affairs,
The Paymaster General, Department of Militia and Defence,
The Assistant Deputy Minister of Finance,
The Deputy Minister of Finance (Chairman).

It was explained by the chairman that the meeting was convened under instructions from the Prime Minister to consider the mode of authorizing and making expenditure out of the special war appropriation.

The War Appropriation Act was laid before the meeting.

After a general discussion of the matter the following method of dealing with the war expenditure was adopted:—

1. All expenditure coming within the terms of the Act and paid out of the war appropriation to be kept in the accounts separate and apart from the accounts of appropriations granted by Parliament for the ordinary and useful services of the Departments concerned.

2. The principle of audit after payment to be adopted in regard to the expenditures in order that the business might be carried on as expeditiously as possible. The Auditor General expressed himself as satisfied with the accounting machinery of the Departments concerned.

3. Payments to be made by cheques against letters of credit in the ordinary course.

4. Special reference was made to sections 2 and 3 of the War Appropriation Act respecting the necessity of action by the Governor in Council before any expen-

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diture under the Act could be defrayed, and also as to the establishment of rates of pay and allowances by Order in Council, especially in their relation to the suggested setting aside of \$30,000,000 for the use of the Department of Militia and Defence. The Orders in Council of the 6th August (No. 2067), 10th August (No. 2080), 14th August (No. 2112) were submitted and, with a draft order which the Paymaster General has under way as to Pay and Allowances, were regarded as sufficient authority without further action for the pay and rations of the 26,000 men being mobilized at Valcartier; also for the 6,000 horses required, as well as necessary forage; also for the subsistence of the troops prior to arriving at Quebec and for their transport thither; for their transport abroad and for the return transport.

It was not deemed necessary that an estimated amount should be specifically sanctioned by Order in Council. The Orders referred are the authority for incurring the expenditure necessary to produce the results to be arrived at.

5. An Order in Council should be obtained to cover the expenditures for Ocean Transport; for the Engineer Services at Halifax, Quebec and elsewhere; for equipment, including carts, wagons, etc.; clothing; and Dominion Arsenal. The Orders in these cases should give as much detail as can conveniently be furnished.

6. Expenditure for censorship is authorized already by Order in Council.

7. Payments of detachments of troops on guard at various places in Canada is covered by the Militia Act and by Regulations and Orders.

8. For the movement of troops, ammunition, etc., in Canada it is not considered that an Order in Council is necessary as it is covered by the Militia Act and Regulations.

9. No Order in Council is needed as yet for the additional troops or unforeseen expenses. In such cases, as necessity arises, the action of the Governor General in Council should be obtained.

II. - DEPARTMENT OF NAVAL AFFAIRS.

10. With regard to the requirements of the Naval Department, an Order in Council was passed placing the *Niobe* and *Rainbow* at the disposal of the Imperial Government. Any expenditures necessary to carry out this offer is accordingly authorized. The pay and allowances are also covered by Order in Council.

11. For the purchase of Stores, Wireless Stations and Aeroplanes, and for the hire of vessels, or outlays on any of the services apart from those already authorized in connection with the *Niobe*, *Rainbow*, two submarines, and pay and allowances, the authority by an Order in Council will be obtained with as much detail as conveniently can be given.

12. Some arrangement should be made with officers of the service and others who are now doing special duty, e.g., Major C. F. Hamilton, Captain Chambers, and F. Cook, who are employed as censors, as to the rate of remuneration. These officers are now serving in a dual capacity.

13. If deemed necessary any expenditure in connection with secret service, following the plan adopted some years ago, might be vised by some Privy Council representative of the Opposition.

III. GENERALLY.

As the War Appropriation Act provides for an extensive expenditure, is general in character and is being administered by several Departments, it is necessary that there should be more than ordinary care taken in the control of any outlay made thereunder. To this end it is desirable that the Government, even in cases where the expenditure is authorized generally, should in the public interest exercise special supervision over not only the nature but the extent also of the obligations incurred under the provisions

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of the Act. So far as it is possible the same safeguards should be thrown around the War Expenditure as are employed in connection with the operations of the larger spending Departments.

The principle of public tender should be adopted as far as practicable in the construction of works or the purchase of materials and supplies; orders involving the outlay of sums say of \$5,000 or over should receive the sanction of Council before issue; or in case of orders given under the pressure of urgency they should be reported and confirmed later by Order in Council.

T. C. BOVILLE,

Deputy Minister of Finance.

DEPARTMENT OF MILITIA AND DEFENCE, OTTAWA, February 12, 1915.

The Auditor General,
Ottawa, Ont.

SIR,—In accordance with your request of the 5th instant, I now beg to enclose copies of orders for clothing given to Mackenzie Ltd., as follows:—

H.Q. 565-2-5	Order for hospital clothing,	d/-	Aug. 31
H.Q. 565-2-12	„ „ „	d/-	Sept. 15
H.Q. 565-2-22	„ „ „	d/-	Sept. 16

I am, sir, your obedient servant,

EUG. Fiset,

*Surgeon-General,
Deputy Minister, Militia and Defence.*

AUDITOR GENERAL'S OFFICE, February 5, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I have to request that you be good enough to supply me with copies of the following contracts made with Mackenzie, Ltd., Ottawa:—

H.Q. 565-2-22
H.Q. 565-2-5
H.Q. 565-2-12

I am, sir, your obedient servant.

J. FRASER,

Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE, OTTAWA, December 23, 1914.

The Auditor General,
East Block,
Ottawa.

SIR,—I beg to acknowledge receipt of yours of the 24th ultimo, asking for copies of all contracts made since the outbreak of the war. So far as the contracts made and being made since the date of your letter are concerned, I understand a copy is being sent you in each case, at the time the contract is made.

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With regard to the contracts made between the outbreak of war and the date of your letter, I understand that Mr. Borden, the Accountant and Paymaster General, and Mr. Brown, Director of Contracts, have discussed this with you in your office on the 17th instant.

I have the honour to be, sir,
Your obedient servant,

EUG. Fiset,
*Surgeon Major-General,
Deputy Minister, Militia and Defence.*

AUDITOR GENERAL'S OFFICE, November 12, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I find in the August and September Accounts, charged to War Appropriation, and paid at Headquarters, that a considerable number of vouchers bear one of the following certificates: "Payment recommended," "Certified correct," "Examined and found correct." The vouchers should be certified in the words prescribed by section 33 of the Audit Act, namely, "Materials received" and "Prices fair and just," or "Prices according to contract," as the case may be. Each certificate should be made only by an officer having personal knowledge of the fact which he certifies.

Please see that in all cases the requirements of this Section are complied with.

I am, sir, your obedient servant,

E. D. SUTHERLAND,
for Auditor General.

AUDITOR GENERAL'S OFFICE, November 9, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I notice that many of the vouchers received, charged to the War Appropriation, are duplicates made in your own Department. Let me remind you that the Audit Office needs the original vouchers made out by the creditors themselves, since they are the best evidence of liability.

I am, sir, your obedient servant,

E. D. SUTHERLAND,
for Auditor General.

AUDITOR GENERAL'S OFFICE, November 24, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—In my letter to you of the 3rd inst., with reference to certificates on accounts charged to the War Appropriation at Headquarters, I requested that this office be furnished with copies of all contracts made in connection with this expenditure.

In your reply of the 18th inst., you refer to certificates only. As it is essential in the audit of accounts to have the contract or agreement, I have to again request

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that copies of these documents be supplied this office. I might point out that the practice followed in the larger spending departments is to have a sufficient number of copies made in the first instance, so that one can be supplied the Audit office.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, November 18, 1914.

The Auditor General,
Ottawa, Ont.

SIR,—With reference to your letter of the 3rd instant on the subject of a certificate being placed on the accounts chargeable to the War Appropriation by the Contract Branch, I have the honour to say that Mr. Brown, the Director, has explained the conditions to Mr. Folkins of your Department, who has agreed to the present system. The certificate respecting prices will be changed to accord with your suggestions.

I trust that this will be satisfactory.

I have the honour to be sir,

Your obedient servant,

EUG. Fiset,

Colonel Deputy Minister.

AUDITOR GENERAL'S OFFICE, November 3, 1914.

The Deputy Minister,
Militia and Defence,
Ottawa.

SIR,—I notice that the accounts charged to "War Appropriation," bear the certificate of Mr. H. W. Brown, as follows:—

Certified that the articles herein specified have been received; that the prices are fair and reasonable; that the purchase has been duly authorized by the Minister of Militia, and that no item in this account has been previously Certified by me for payment.

H. W. BROWN,

*Director of Contracts, Dept. Militia and Defence,
Ottawa.*

All accounts for materials supplied should be certified as "goods received" by the officer who handles them. Unless Mr. Brown has personal knowledge that these supplies have been received in the quantities for which charge has been made, he is not the proper officer to certify in this respect. The officer to do so, is the person into whose charge the goods were delivered. The certificate, prices "fair and just," or "according to contract," as the case may be, should be made by an officer who is familiar with their value. The Director of Contracts would, no doubt, be a proper person in most cases to make this certificate, but to meet the provisions of Section 33 of the Revenue and Audit Act, he should certify that the prices charged are according to contract, or if not covered by contract are fair and just.

I have also to request that this office be furnished with copies of all contracts made in connection with the War Expenditure.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

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DEPARTMENT OF MILITIA AND DEFENCE.

OTTAWA, February 15, 1915.

The Auditor General of Canada,
Ottawa, Ont.

SIR,—In reply to your letter of February 2, I enclose statement showing the voucher numbers of the accounts for binoculars, compasses and telescopes on which Messrs. P. W. Ellis & Co. was paid a commission of 10 per cent. amounting to \$9,011.52. These vouchers complete, are now in your hands.

I have the honour to be, sir,
Your obedient servant,

EUG. Fiset,

*Surgeon-General,
D.M.M. & D.*

LIST OF ACCOUNTS made by the Department of Militia and Defence on which a Commission of 10 per cent was paid by Cheque No. 5829 to P. W. Ellis & Co.

	Date 1914.	Cheque.	Amount.
September 19...		2456	\$ 3,001 00
October 2...		2801	10,234 40
" 22...		3337	2,978 00
" 22...		8	6,500 70
" 22...		9	3,775 50
" 22...		3340	619 54
" 22...		1	7,076 30
October 30...		3639	5,766 71
" 30...		3640	511 45
" 30...		1	1,552 75
" 30...		2	605 15
" 30...		3	18,237 21
" 30...		4	16 00
" 30...		5	443 00
November 19...		4235	5,136 15
" 24...		4369	561 00
" 24...		4370	2,040 55
" 24...		1	6,560 00
" 24...		2	13,970 75
" 24...		3	529 50
			<hr/>
			\$90,115 66

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, February 12, 1915.

The Auditor General, Ottawa.

SIR,—I have your letter of the 6th instant, with further reference to the price paid the Consolidated Optical Company for prismatic binoculars.

The facts, as I am advised, are not quite as you suppose. It is not correct to say that the Department first placed the order with the Consolidated Optical Company, who thereupon made arrangements with Bausch & Lomb; thus acting as intermediary or broker, only.

Actually, the Consolidated Optical Company first bought the glasses, before receiving any order or equivalent assurance from the Government; and afterwards, resold what was their own property and not the property of Bausch & Lomb.

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As to the profits made by the Company, my information is that they were considerably less than you suppose. It seems to me, however, that this is not material or pertinent. The point is whether or not this was the best bargain that could be made at the time; and there is no doubt whatever about this.

- We paid \$42 for which, some weeks before, Bausch & Lomb would sell only at \$51.70; and for which, at the time our order was given, the British Government was paying decidedly more than \$42, in quantities very much larger than ours.

Moreover, had the Consolidated Optical Company known at the time, they could have easily sold these very glasses to the Imperial Government, at an advance of several dollars over the price we paid then.

It was a mere accident that the Company did not know the Imperial Government was in the market. We had no means of forcing the price down; and on the other hand, the Company had this other opportunity of disposing of the glasses to better advantage.

Under the circumstances, I am sure you will agree with me that the Government made a very good bargain.

I am, sir, your obedient servant.

EUG. Fiset,

*Surgeon-General,
Deputy Minister of Militia and Defence.*

AUDITOR GENERAL'S OFFICE, February 6, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I am in receipt of your letter of the 23rd of January with reference to the purchase of 1,000 prismatic binoculars at \$33 and \$42 respectively. In explanation of the prices paid, you say that the offer of the Consolidated Optical Company to supply 1,000 glasses at \$42 and \$33 f.o.b. the factory, Rochester, was made on or about the 16th of October, or more than two weeks after Bausch & Lomb had withdrawn all their trade discounts, which was about 50 per cent. I am informed that the prices paid by the Consolidated Optical Company of Toronto to Bausch & Lomb for the 6 by 30 binoculars was about \$30, and as the glasses were taken over by the Government at the factory, the Consolidated Optical Company merely placing the order, the profit of about \$12 per glass would appear to be unusually large under these circumstances.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE, February 2, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—Let me call your attention to cheque No. 5829 charged to War Appropriation and paid at Headquarters. This cheque of \$9,011.52 is a payment to P. W. Ellis & Co., of Toronto, for commission on purchase of binoculars for the Department

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of Militia and Defence. Please let me have a detailed statement showing the accounts on which commission has been paid, and if there was a contract or agreement entered into with this concern, be good enough to let me have a copy of the same.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, January 23, 1915.

The Auditor General,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 18th instant, with regard to the purchase of 1,000 prismatic binoculars at \$33 and \$42 respectively, from the Consolidated Optical Company of Toronto. In accordance with your suggestion, a recommendation is now being prepared, providing for the amendment of the Order in Council of the 27th October last, authorizing this purchase; by specifying that delivery was to be made f.o.b. Rochester, N.Y., and by giving a description of the binoculars in question.

I may say that while this may be necessary in order to make the matter perfectly clear to the Privy Council; it was well understood by the officials of the department, at the time the bargain was made, that delivery at the factory was to be a condition of the contract. I am advised that jobbers' quotations for glasses of this description are usually for delivery f.o.b. the factory; since Messrs. Bausch & Lomb's list prices are made upon this basis.

As regards the prices paid by the department for binoculars of this kind, supplied by P. W. Ellis & Company, of Toronto, and purchased by them from the Topley Company, of Ottawa; it will perhaps make the matter clearer if it is explained that these binoculars, although delivered in October, were purchased several weeks before the end of September, when Bausch & Lomb's usual trade discounts were in effect; that these trade discounts from the list prices amounted to a reduction of nearly 50 per cent; that the list prices were at that time \$60 and \$40, respectively, for the two types of glasses; that on or about the 29th of September, Messrs Bausch & Lomb cancelled all trade discounts, and that no such discounts have been allowed since that date.

The offer of the Consolidated Optical Company to supply 1,000 glasses at \$42 and \$33 f.o.b. factory, Rochester, was made on or about the 16th October; or more than two weeks after Bausch & Lomb had withdrawn all their trade discounts.

This was also about two weeks after Messrs. Bausch & Lomb had quoted prices of \$41 and \$51.70 respectively, for any quantities of these two types of glasses up to 20,000, for the British War Office.

This department, therefore, was paying \$9.70 less for its 6 x 30 binoculars than Messrs. Bausch & Lomb's quotation upon a quantity of 20,000 in October.

Moreover, I am advised that after Messrs. Bausch & Lomb had made these quotations of \$41 and \$51.70, they were induced by Mr. F. W. Stebart, representing the War Office, to undertake an order for a very large quantity—said to be 10,000 binoculars—at a price several dollars higher than the \$42 paid by the Canadian Government to the Consolidated Optical Company.

It would appear that the department had made an extremely good bargain in buying these glasses at \$33 and \$42 per pair; more especially as, had the Consolidated Optical Company known that the War Office were in the market for a very large quantity, they

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could easily have disposed of them to Mr. Stobart at the price which the War Office are now paying Messrs. Bausch & Lomb; this being, as I have said, several dollars higher per pair than this department is paying.

I have the honour to be, sir,
Your obedient servant,

EUG. Fiset, *Surgeon General,*
Deputy Minister of Militia and Defence.

AUDITOR GENERAL'S OFFICE, January 18th, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—With reference to the Order in Council of 27th October last, which authorized the purchase of 1,000 Prismatic Binoculars at \$33 and \$42 respectively, for the two patterns offered by the Consolidated Optical Company, Toronto, I would point out the prices quoted in this order would appear to be for delivery in Canada, but according to your letter, H.Q. 466-15-42, these prices are for delivery f.o.b., Rochester, N.Y.

The Order in Council should be amended by stating the place where delivery is to be taken of these binoculars, and, in addition, a description of the two patterns as given in your letter should be included.

I might mention that in the November accounts, paid at Headquarters, I find vouchers covering an expenditure of about \$13,000 for these same kind of binoculars, supplied by P. W. Ellis & Co., Toronto, but apparently purchased from the Topley Co. of Ottawa, and delivered in the month of October at Ottawa prices of \$38 and \$46.66 respectively, upon which duty at the rate of 25 per cent must have been paid as well as the charges for freight, etc.

In view of the prices paid in Canada, it would appear that those paid in Rochester, N.Y., namely, \$32 and \$42 respectively, are excessive. Please explain.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,
OTTAWA, November 13, 1914.

The Auditor General,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 7th instant, requesting further information with regard to the 1,000 prismatic binoculars, for the purchase of which from the Consolidated Optical Company, Limited, an Order in Council was passed on the 27th ultimo.

These binoculars are manufactured by Bausch & Lomb Optical Company of Rochester, New York, and are of two patterns, namely: "6X, 30 mm. diameter" at \$42, and "8X, 25 mm. diameter" at \$33. A description of them will be found in the enclosed catalogue of the Bausch & Lomb Company, at pages 14 and 16. Glasses of this description are prescribed for use in the British Army Service.

The prices quoted are for delivery f.o.b. the factory, Rochester.

I am, sir, your obedient servant,

H. W. BROWN,
Director of Contracts,
for Deputy Minister of Militia and Defence.

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AUDITOR GENERAL'S OFFICE, November 7, 1914.

The Deputy Minister of Militia and Defence,
Ottawa, Ont.

SIR,—I am in receipt of an Order in Council, dated 27th October, 1914, advising that an order be placed with the Consolidated Optical Company, Limited, Toronto, for 1,000 prismatic binoculars, the prices to be \$33 and \$42 respectively, for the two patterns offered.

As prismatic binoculars are manufactured by many concerns at prices ranging from \$20 upwards, I have to ask that you be good enough to furnish this office with a description of the patterns ordered, also giving the name of the maker. This Order in Council does not specify where delivery is to be made. Please inform me of this.

I am, sir, your obedient servant,

E. D. SUTHERLAND,
For Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,
OTTAWA, January 30, 1915.

The Auditor General,
Ottawa.

SIR,—I am directed by the Deputy Minister to send you the enclosed copy of a letter, dated 28th instant, which I received yesterday from Mr. W. F. Garland, M.P., relating to statements made in my letter of the 26th instant, addressed to Mr. E. Powell, a copy of which was sent you with General Fiset's letter of the 26th instant.

I have no comment to make upon Mr. Garland's letter, except to say that the statements contained in my letter to Mr. Powell of the 26th instant are substantially correct; and I have nothing to retract or cancel therefrom.

My recollection of the circumstances is clearer and more definite because this matter has been under discussion, on one account or another, many times since last August. It was under discussion or review in September, October, November, December, and January.

I am, sir, your obedient servant,

H. W. BROWN,
Director of Contracts.

OTTAWA, Ont., January 28, 1915.

Mr. H. W. BROWN,
Director of Contracts,
Militia Department,
Ottawa.

DEAR SIR.—Mr. E. Powell has shown me your letter of the 26th January, making certain complaints as to the prices charged and paid for some field dressings—British War Office pattern, which Mr. Powell has supplied to the Militia Department as agent for Messrs. Bauer & Black, of Chicago.

The letter contains considerable reference to myself, and you go so far as to intimate that I had an interest in the profits of this order, and further, that I had misrepresented to you what these profits were.

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I say to you now in the plainest language that can be used, that your insinuations are false and cowardly, and I say further that I made no representation of any sort as to these profits, and you know that I did not. I will await with interest your attempt now to establish that I had any interest whatever in Mr. Powell's order.

I recommended Mr. Powell to your Department and on his behalf requested that he receive consideration in this matter, and, having some knowledge myself of this class of business, I urged the price paid by your Department—21 cents—as fair and reasonable under the circumstances, and my position in all these matters I am prepared to defend at any time when called upon, and have nothing whatever to conceal.

I at no time stated that the profit was only 5 per cent, or anything of that kind. So far as I know the Department purchased with full knowledge of what they were getting, and paid accordingly.

It will be, of course, for Mr. Powell, and not for me, to take up with the Department the question as to whether or not he should be paid for the balance of the goods he has supplied, which supplies I understand were made after open tender.

Yours truly,

WM. F. GARLAND.

DEPARTMENT OF MILITIA AND DEFENCE, OTTAWA, January 27, 1915.

The Auditor General, Ottawa.

SIR,—I beg to acknowledge receipt of your two letters of the 26th November and 17th December last, in which exception is taken to payments made to E. Powell for first field dressings, and other medical supplies, purchased for the 1st contingent. Mr. Brown, Director of Contracts, by whom these orders were given, makes the following statement with regard to these accounts:—

"The first requisition for field dressings was made by the Director General of Medical Services on the 22nd August, when 30,000 field dressings were demanded. This requisition was accompanied by the following note: 'Herewith service requisition for 30,000 first field dressings, to be supplied by Messrs. Bauer & Black, Chicago. Kindly rush this order.' I was told by telephone that these field dressings should be available at the latest within two weeks; and that Messrs. Bauer & Black's representative was in Ottawa at that time; that enquiry had been made and it was found that no other source of supply was available. I was requested to make arrangements with Mr. Shaver, Bauer & Black's agent, with as little delay as possible, as the necessity for the dressings was most immediate and pressing.

"Prior to this, it had been the practice to procure these dressings from British manufacturers, S. Maw & Sons, who are contractors also for the British War Office.

"On or about August 24, Mr. W. F. Garland, M.P., and Mr. Shaver of Toronto, representing Messrs. Bauer & Black, called to see me and we discussed prices, deliveries, etc. I asked Mr. Shaver to quote a price which he declined to do until he had telephoned Chicago. Later on, he answered me that his head office would not make any certain price, because the time given them was so short that they might have to work overtime; and the militia medical staff insisted upon the War Office pattern of dressings, which was different from the American package. Mr. Shaver said moreover, that Bauer & Black were contractors for the American Government for the supply of field dressings and could give prompt and early deliveries of the United States Army dressing at a much lower price; but that this was not so satisfactory to Colonel Jones and his staff. Pressed to give a price, Mr. Shaver said he thought it might be about 18 cents; but this he would not guarantee.

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Mr. Shaver, moreover, informed me in the presence of Mr. Garland, M.P., that Mr. E. Powell, of Ottawa, was the Ottawa representative of Bauer & Black; and that he wished the order to be given Mr. Powell in that capacity.

"We had never had any dealings with Bauer & Black before, so far as I know; as all supplies of this kind had hitherto come from British sources.

"In accordance with Mr. Shaver's instructions, the order was given to Mr. Powell, as representing Bauer & Black, Chicago.

"The dressings were delivered within a short time; and subsequently, repeat orders were given under much the same conditions. In each case, immediate delivery was insisted upon, the time was very short and the British or other sources of supply were not available.

"During September, Mr. Powell sent in several bills for these dressings, at 23 cents. I refused to certify them for payment, as the price was exorbitant and not in accordance with the understanding with Mr. Shaver; who, although he had not promised anything definite, had held out some expectation of being able to supply at 18 cents. I afterwards sent Mr. Donaldson of my office to Powell to get some information; but without much result.

"Subsequently, Mr. Powell reduced his price from 23 cents to 21 cents, but I refused to certify the accounts at this price. Finally, Mr. W. F. Garland, M.P., called and discussed the matter with me; and assured me, with some emphasis, that Mr. Powell at 21 cents was making only 5 per cent on the cost of the dressings. Mr. Garland made the statement more than once and emphatically. Upon the strength of his assurance that this was so, I certified the accounts as fair and reasonable."

It appears from the list enclosed with your letter of the 17th December, that Mr. Powell's profit on these field dressings was not 5 per cent, but 5 cents each; or 31½ per cent not 40 per cent as stated in your letter.

I beg to enclose copy of letter sent by Mr. Brown to-day to Mr. Powell, calling for a rebate of \$2,822.40, representing the difference between the 5 cents which Mr. Garland said Mr. Powell was getting, and the 31½ per cent which Mr. Powell actually made.

You will observe from Mr. Brown's letter to Mr. Powell that the Department still owes Mr. Powell six different bills for supplies, aggregating \$2,601.77; and that it is proposed to withhold payment of these bills, until Mr. Powell has made a refund of the amount claimed.

I am, sir, your obedient servant,

EUG. Fiset, Surgeon General,
Deputy Minister of Militia and Defence.

NOTE.—I also enclose copies of letters from Mr. Powell, dated September 1, and 3, and copy of one from Bauer & Black, dated October 28.

Bauer & Black,
Chicago, U.S.

Toronto, Ont., October 28, 1914.

Mr. E. POWELL,
981 Wellington St.,
Ottawa, Ont.

DEAR SIR,—We beg to advise you that the difference in our prices for absorbent cotton, bandages, gauze and field dressings, that you recently purchased as against the prices paid for the same goods on former orders for the Government is based on the

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cost of raw material. On your first orders the prices were as low as we could possibly make at that time. We are pleased to be able to give you these price advantages owing to the big drop in the price of raw cotton. No doubt the present low price for cotton will hold for some time.

Yours very truly,

W. J. SHAVER,

Can. Representative.

OTTAWA, September 3, 1914.

Mr. H. W. BROWN,
Dept. of Militia and Defence.

DEAR SIR,—Enclosed please find a corrected invoice on field dressings. This is the very lowest that I can do on because as you are aware that it is a specially prepared package Bauer & Black had to make this as a special. The one used and made by them for United States Army could have been laid down here much cheaper and is put up in a tin box similar to a sardine can. This could not be used in this case whatever. The firm was very loath about making this order at present at all as they had so many other large orders to attend to, one of about one-half million from their Bristol Agency in Liverpool. I have no doubt but Maw, London, England, could have and perhaps can now for all I know prepare this article at less cost but you can clearly see the firm's position—special packages and two weeks to deliver, rushed with other goods, etc. I hope that you will consider this in your fair way as I have tried to do. Thanking you,

I remain, yours truly,

E. POWELL.

OTTAWA, September 1, 1914.

Mr. H. W. BROWN,
Director of Contracts.

DEAR SIR,—Some time ago you were kind enough as to forward me requisitions for First Field Dressings, one for 7,200, and for 30,000, and a later one for 30,000. In discussing this with you over phone, there was no price fixed; only we said about eighteen cents. Instead I cannot make the price any lower than twenty-three cents. The wholesale people are holding me up as you know now with prices as they say they are too rushed. I can have all shipped at 23 cts. and all additional orders at same price if any needed. The bulk of the goods will be delivered in a few days and all in specified time. Hoping that this is satisfactory,

I remain, yours very truly,

E. POWELL.

202-4-20

513-8-1

January 26, 1915.

E. POWELL, Esq.,
981 Wellington Street,
Ottawa.

SIR,—On the 24th August last, an order was given you as Ottawa Agent of Messrs. Bauer & Black, of Chicago, to furnish the Militia Department with 30,000 First Field Dressings of British War Office pattern, at the earliest date possible. It was understood verbally that the deliveries would be made within two weeks.

Prior to giving this order, Mr. W. F. Garland, M.P., and Mr. Shaver, the Toronto Agent for Messrs. Bauer & Black, had called to see me. Mr. Shaver, after telephoning his Chicago head office, declined to quote a price, as the time was so short and the style and pattern being British and not American: It was a case of goods made specially to order: and of working overtime to get the work done. Owing to their unfamiliarity with the pattern, Mr. Shaver said his principals could not undertake to set a price: but he thought the dressings could be supplied at about 18 cents.

Mr. Shaver informed me, in the presence of Mr. Garland, M.P., that you were Messrs. Bauer & Black's Ottawa representative; and requested that the order be sent you. This was accordingly done.

During September, you invoiced the Department for these goods at 23 cents each.

Eventually, Mr. W. F. Garland, M.P., called to see me, and said the price would be cut down to 21 cents, but that that was the utmost reduction he or you could make, since, at that rate, you got barely 5 per cent on your expenditure.

On the 26th November, the Auditor General wrote the Deputy Minister of Militia and Defence, taking exception to the prices paid you for these and other goods; and later on the Auditor General informed General Fiset and myself that Mr. Garland had admitted to him that your profit was not 5 per cent as he had formerly stated, but 5 cents per dressing—a profit of 31½ per cent.

I am directed, therefore, to request you to refund this amount to the Department immediately; or make a deposit to the credit of the Receiver-General.

Invoice	December	15,	1914..	.	.	.	.	.	.	.	.	\$	60	00
"	"	25,	"		775	00
"	"	21.	"		960	00
"	"	26,	"		45	67
"	"	12,	"		719	60
"	"	11.	"		41	50
													<hr/>	
													\$2,601 77	

H. W. BROWN,
Director of Contracts.

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AUDITOR GENERAL'S OFFICE, December 17, 1914.

J. W. BORDEN, Esq.,
Accountant and Paymaster,
Department of Militia and Defence,
Ottawa.

SIR,—I enclose herewith a list of the prices paid by E. Powell for medical supplies for your Department and also the prices which he has charged for these goods. From our conversation it would appear that he was to receive about 5 per cent profit on the transaction instead of about 40 per cent. Please obtain a refund of the difference.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

	Price paid by Powell.	Chgd. Dept.
Lint compound. 1 oz. pkt.	\$ 5½	\$ 10
Wool cotton absorb. compd. "	5½	10
" 2 oz. pkt.	10	15
Cotton in 1 lb. rolls. each.	32	50
Gauze absorb. sub. compd., 36 x 2½. per doz.	1 00	1 80
" " 36 x 36. "	3 20	4 20
" plain. 2½ yd. pkts.	19	30
" " compd. "	25	40
" " 5 yd. rolls. per doz.	4 20	6 00
" sublimated. 2½ yd. pkts.	33½	50
Silk oil. 5 yd. roll.	4 80	5 30
" 1 "	1 04	1 20
Ligatures catgut-sterilized, 3 sizes in pkt.	18	22½
" silk braided "	18	30
Silkworm gut (100 strings).	50	75
Rubber drainage tubes, asst. sizes.	3 20	3 20
" sterilized.	3 20	3 20
Bandages, 2½-inch by 6-inch, compd. per gross.	8 00	12 00
" 3-inch x 6-inch, compd. "	8 40	12 00
" white flannel, 3-inch. per doz.	4 40	8 00
" flannel gauze compd., 3 sizes, per gross.	8 00	12 00
" triangular, compd. per doz.	1 27	1 50
First field dressings.	16	21
Plaster of Paris, 3-inch indv. pkg. per doz.	2 56	4 00
Plaster adhesive, zinc, 1 x 10 yd. spools each	52	70
" " 2 x 10 "	72	1 00
" moleskin. per yd.	42	70
Surgeons needles, straight. per doz.	25	50

AUDITOR GENERAL'S OFFICE, November 26, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I have received from your Department accounts amounting to \$11,863.50 paid on 10th September, 1914 and \$6,300 paid on 16th September, 1914 for medical supplies received from E. Powell. These accounts are certified "prices are fair and

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reasonable." I find that these goods could have been purchased for 40 to 60 per cent less from the regular wholesale trade and think that an order amounting to over \$18,000 should not be paid at retail prices.

I have to request that you will let me know on what grounds the certificate is made that the prices are fair and reasonable and if any steps were taken to obtain more reasonable prices.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE, December 18, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR.—Let me call your attention to Cheques Nos. 2837, 3222 and 2918, charged to "War Appropriation," and paid at Headquarters. The vouchers in support of these cheques contain the following items:

The McKechnie Music Co., Ottawa.

363 Military Bugles and Trumpets at \$7, \$2,541.

The Whaley Royce Co., Toronto.

150 Military Bugles and Trumpets at \$7.40, \$1,110.

I notice there is a discount of 20 per cent on the claim of 363 bugles at \$7, but on the other claim of 150 at \$7.40, there appears to be no discount. If these instruments are all of the standard pattern I have to ask for an explanation of the discrepancy in the prices charged.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE,
OTTAWA, January 20, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 15th inst., with further reference to the contracts made by your Department for delivery F.O.B. at the dock, Montreal, of 44,000 bushels of No. 2 white oats, properly bagged. The accounts show that 6,000 bushels were supplied at 67 cents, 5,000 at 67½ cents, and the balance, 33,000, at 70 cents a bushel.

In my letter to you of the 20th December, I stated that the market price of best Canadian oats, in warehouse at the time of these purchases, was 54 cents a bushel. For No. 2 white, the quality which you now say was supplied, I find the market price was even lower.

You refer to some of the statements made by firms who were invited to tender on these supplies, and conclude as follows: "In fact the whole correspondence tended to show the scarcity of these supplies and the difficulty of securing them within the time specified. It was too early for the 1914 crop, and the 1913 supply had apparently been exhausted."

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I find by the Montreal market report that there was an ample available supply of 1913 oats in the warehouses at any time between the date of your telegram inviting tenders and the date of delivery of supplies, consequently, I do not understand why it was not possible to secure a better price.

I am, sir, your obedient servant.

J. FRASER.

Auditor General.

DEPARTMENT OF MILITARY AND DEFENCE,

OTTAWA, January 15, 1915.

The Auditor General,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 28th ultimo, with further reference to the contracts made by the Department with James McDonnell, Montreal, and George Sparks & Sons, Vars, Ont., for the supply of oats, at 70 cents and 67 cents respectively.

The circular telegram inviting tenders for these supplies was dated August 24, last, and read as follows:—

“Please wire quotations before noon 26th instant, delivery F.O.B. dock, Montreal, subject inspection there. Hay twelve hundred seventy-five tons, baled three wires to bale, good Timothy, sweet, dry, clean, and well saved, free from weeds, not exceeding 20 per cent clover. Forty-four thousand bushels number one white oats, 34-pound bushel, properly bagged. Three hundred tons wheat or oat straw, long, sweet, dry, clean, free from weeds. Fifty tons bran. Only last year's crop hay acceptable. Required at Montreal by September 10th.”

The specification for oats was subsequently changed from No. 1 to No. 2 white oats, as it was found impossible to procure No. 1. No quotations for No. 1 white oats were received.

I enclose also copy of the agreement made with Messrs. Geo. Sparks & Sons, giving further particulars.

By a typographical error, the oats were described in this agreement as “Canadian Western” instead of “No. 2 White.” The specification of Canadian Western was, therefore, not insisted upon, as it was not in accordance with the terms of the telegram of the 24th August.

Tenders were invited from the following firms:

J. A. Forward, Ottawa.
R. A. Pringle, Ottawa.
Morris Shaver, Ottawa.
Johnson & Webster, Lansdowne.
A. W. Pierce, Aylmer, Ont.
G. Sparks & Sons, Vars, Ont.
G. H. Simpson, Montreal.
Jas. McDonnell, Montreal.
G. H. Peters & Son, St. John, N.B.
Frank Black, Sackville, N.B.
B. F. Smith, East Florenceville, N.B.
Geo. B. Jones, Apohaqui, N.B.
J. L. Peck, Hillsborough, N.B.
H. B. Tremaine, Windsor, N.S.
Amherst Trading Co., Amherst, N.S.
E. Fillmore, Amherst, N.S.
J. Hennessy, River Hebert, N.S.

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C. R. Bill, Jr., Kentville, N.S.
 J. E. Chicoine, Vercheres, Que.
 A. Perreault, Belœil Station.
 Montreal Hay Co., Montreal.
 W. Lamarre & Co., Montreal,
 H. Desrosiers, Montreal.
 E. Lemire, Montreal.
 Chas. Arpin, St. John's, P.Q.
 J. H. Brandon, Fenelon Falls, Ont.
 M. Robinson & Son, Orangeville, Ont.

Of these, only eight were able to submit prices for oats; and of these, three were for limited quantities, viz:

J. A. Forward, Ottawa, for 5,000 bushels.
 Geo. Sparks & Son, Vars, for 6,000 bushels.
 J. H. Brandon, Fenelon Falls, for 20,000 bushels.

The eight tenders received were as follows:

J. A. Forward, Ottawa, 67½ cents.
 R. A. Pringle, Ottawa, 71 cents.
 Geo. Sparks & Sons, Vars, 67 cents.
 Jas. McDonnell, Montreal, 70 cents.
 Montreal Hay Co., Montreal, 72¼ cents.
 W. Lamarre & Co., Montreal, 70 cents.
 E. Lemire, Montreal, 70 cents.
 J. H. Brandon, Fenelon Falls, 71¼ cents.

The letters received in reply to the telegram of the 24th August, made it quite clear that the stock of oats available in the country for delivery by the 10th September was very limited. For instance, G. H. Simpson, Montreal, replied: "No oats till end of September."

The Montreal Hay Company, Montreal, replied: "Impossible to secure the kind of oats you want for September 10. Will, however, offer you No. 2 Canadian Western at 72 cents."

B. F. Smith, East Florenceville, N.B., replied: "Oats and bran must come from the West."

F. B. Black, Sackville, N.B., replied: "No last season's hay, straw or grain in this section."

M. Robinson & Son, Orangeville, Ont., declined, as "unfortunately we are not in a position to make any large shipments from stock at the moment; and in view of the fact that you require delivery in Montreal before September 10th, we are not submitting prices."

H. B. Tremaine, Windsor, N.S., replied: "No oats, straw or bran."

In fact, the whole correspondence tended to show the scarcity of these supplies and the difficulty of procuring them within the time specified. It was too early for the 1914 crop, and the 1913 supply had apparently been exhausted.

This explanation, I trust, will be satisfactory.

I have the honour to be, sir,
 Your obedient servant,

EUG. Fiset,
*Surgeon General,
 Deputy Minister of Militia and Defence.*

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MEMORANDUM OF AGREEMENT entered into between His Majesty the King, represented in that behalf by the Minister of Militia and Defence of Canada, and hereinafter called "the Minister" and G. Sparks & Sons, of Vars, Ont.

The Minister agrees to accept 6,000 bushels of oats from the said G. Sparks & Sons, upon the following terms and conditions:—

1. Oats to be No. 2 Canadian Western, white, sound and clean, free from other grain. They should weigh not less than 34 pounds to the bushel.

2. They should be properly bagged, in good, serviceable 80-pound bags.

3. They are to be subject to inspection and acceptance by the Minister or his representative alongside the steamship at Montreal, P.Q. The weight to be verified by certificates from a public elevator.

4. The price to be sixty-seven cents (67) per bushel of 34 pounds, delivered on the dock at Montreal.

5. The whole 6,000 bushels to be delivered at the dock, Montreal, not later than September, 1914.

EUG. Fiset,

Colonel,

Deputy Minister of Militia and Defence.

I hereby agree to supply.....bushels on the terms and conditions specified in the above memorandum.

GEO. SPARKS & SONS,

per A. E. SPARKS.

AUDITOR GENERAL'S OFFICE, December 28, 1914.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR,—I am in receipt of your letter of the 24th inst., regarding payments made to James McDonnell, Montreal, and George Sparks and Sons, Vars, Ontario, for oats supplied at 70 and 67 cents respectively. In your letter you state you have reason to believe that the prices paid at the time, and upon the conditions prescribed by the Department were fair and reasonable.

In reply I beg to say that the quality specified, and conditions prescribed by the Department, *re* delivery, etc., make a very considerable difference, and in this connection I requested, in my letter of the 3rd December, to be furnished with these particulars, which you have apparently over-looked. Please furnish this office with the names of the 27 dealers invited to tender on the 44,118 bushels of oats purchased, also copy of the specification supplied these dealers, and the quantity and price quoted by the persons tendering. I require this information in support of these charges, as I find that the Montreal market price for best Canadian oats in bulk in warehouse, at the time of these purchases, was 54 cents a bushel. I am also informed that the best oats could have been purchased from the regular wholesale trade, bagged and delivered in Montreal, at a much lower rate than the prices paid by the Department, consequently I think that an order amounting to over thirty thousand dollars should not be paid for at retail prices.

I am, sir, your obedient servant.

J. FRASER,

Auditor General.

SESSIONAL PAPER No. 122

DEPARTMENT OF MILITIA AND DEFENCE.

OTTAWA, December 24, 1914.

The Auditor General,
East Block,
Ottawa.

SIR,—Replying to your letter of the 3rd instant with regard to the payments made to James McDonald, Montreal, and George Sparks and Sons, of Vars, Ontario, for oats at 70 cents and 67 cents per bushel respectively, I beg to say that these prices were the lowest received in August last from twenty-seven dealers invited to tender from all parts of the country in Nova Scotia, New Brunswick, Ontario and Quebec.

A total of 44,118 bushels of oats were required. Messrs. Sparks and Sons, whose quotation was the lowest, had only 6,000 bushels to dispose of. Their tender was accepted for this quantity. The next higher tender was that of J. A. Forward, of Ottawa, at 67½ cents, who had only 5,000 bushels to dispose of. His tender was accepted for this quantity. The next higher tenders were those of James McDonald, E. Lemire and W. Lamarre and Company, all of Montreal, at 70 cents per bushel. Contracts were made with these three firms for the supply of about 11,000 bushels in each case.

I have reason to believe that these prices at the time and upon the conditions prescribed by the Department were fair and reasonable.

I am, sir, your obedient servant,

EUG. FISET,
*Surgeon Major General,
Deputy Minister Militia and Defence.*

AUDITOR GENERAL'S OFFICE, December 3, 1914.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR,—Let me call your attention to the following accounts, charged to "War Appropriation," and paid at Headquarters:—

Cheque 2921, James McDonnell, Montreal:—

September 25, 5,132 bushels of oats at 70 cents per bushel of 34 pounds, \$8,630.47.

Cheque 3186, Geo. Sparks and Sons, Vars, Ont.:—

October, 2,250 bushels of oats at 67 cents per bushel, \$4,020.

These prices appear to be very much in excess of the market price for best Canadian oats, at the date of these purchases.

Please furnish this office with full particulars, specifying the quality, place of delivery, kind of bags supplied, and any further information available in support of the charges made.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE, November 10, 1914.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR,—Let me call your attention to the following accounts charged to the War Appropriation, for supplies purchased during the months of August and September. The price in each case is in excess of that authorized by Order in Council, 3rd September, 1914:—

5 GEORGE V., A. 1915

E. J. Laverdure, Ottawa: 4,800 razors at 75 cents, rate authorized, 65 cents.
McKenzie, Limited, Ottawa: 818 haversacks at 65 cents, rate authorized 57½ cents.
B. F. Ackerman, Son & Co., Peterboro': 1,250 mess tin straps at 25 cents, rate authorized, 22 cents.
S. H. Borbridge, Ottawa: 446 mess tin straps at 25 cents, rate authorized 22 cents.
Murray-Kay Co., Toronto: 13,252 military brushes at 48 cents, rate authorized, 35 cents; 4,660 clothes brushes at 39 cents, rate authorized, 18 cents.
Ketchum & Co., Ottawa: 100 dozen whistles at \$4 a dozen, rate authorized, \$3.96 a dozen.
Whaley, Royce & Co., Toronto: 12 trumpets and cords at \$8.20 each, rate authorized, \$7; 25 bugles and cords at \$8.20 each, rate authorized, \$6.60.
Please explain these discrepancies.

I am, sir, your obedient servant,

E. D. SUTHERLAND,
For Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE.
OTTAWA, January 6, 1915.

The Auditor General of Canada,
Queen St., Ottawa.

SIR,—I beg to acknowledge receipt of your inquiry of the 14th ultimo *re* payments made by this Department on “Tents” and “Brushes” supplied by Messrs. Smart-Woods, Ltd. and Messrs. Skedden Brush Co. respectively, and in reply to state as follows.

On our Contract Demand 488 we ordered from Messrs. Smart-Woods, Ltd., “100 Tents, Hubert, Field, Hospital at \$120.00 each,” and “100 Waterproof Bottoms at \$18.25 each.” Detailed below are the payments made on these tents and bottoms, one of which is that for \$3,960.00 referred to in your letter.

100 Tents, Hospital.

Invoice dtd.	30-9-14	Amount \$	3,960.00	for 33 Tents.
“	30-9-14	“	3,000.00	“ 25 “
“	5-10-14	“	600.00	“ 5 “
“	9-10-14	“	480.00	“ 4 “
“	5-10-14	“	600.00	“ 5 “
“	4-10-14	“	600.00	“ 5 “
“	14-10-14	“	2,760.00	“ 23 “
			12,000.00	“ 100 “

100 Tent Bottoms.

Invoice dtd.	30-9-14	Amount \$	1,131.50	for 62 bottoms.
“	6-10-14	“	584.00	“ 32 “
“	8-10-14	“	109.50	“ 6 “
			1,825.00	“ 100 “

Any alterations on the above invoices were due to the fact that our Inspector's reports did not coincide with the invoices of the contractor, which made it necessary to alter the latter.
New invoices could have been obtained and the old ones cancelled, but to save time, corrections were made on the original invoices.

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The explanation given above also applies to the second item of your communication, i.e., the invoice of the Skedden Brush Co. In this instance we ordered from the Skedden Brush Co., Hamilton, on our Contract Demand 214, 500 Body Brushes. Owing to the demand at the time for this kind of brush, 619 Body Brushes which were delivered on this order, were accepted and paid for as follows:—

Inv. dtd. 9-9-14—Amount \$242.35 for 133 Body Brushes at 75 cents each. This invoice also covered 460 Harness Brushes ordered on C.D. 329, at 31 cents each.

Inv. dtd. 16-9-14—Amount \$207.78 for 158 Body Brushes at 75 cents each. This invoice also covered 288 Harness Brushes ordered on C.D. 329, at 31 cents each.

Inv. dtd. 16-9-14—Amount \$207.78 for 15 Body Brushes at 75 cents each. This invoice also covered 488 Harness Brushes ordered on C.D. 329, at 31 cents each.

As vouchers of the receipt and acceptance of these tents and brushes, we have not only the several reports of the inspectors, certifying to quantities, but also the receipts of the Senior Ordnance Officer at the Ordnance Stores, Ottawa, where these stores were delivered from the Inspection Room.

I have the honour to be, sir,

Your obedient servant.

H. W. BROWN,

Director of Contracts.

For D.M., M. and D.

DEPARTMENT OF MILITIA AND DEFENCE.

OTTAWA, December 21, 1914.

JOHN FRASER, Esq.,
Auditor General,
Ottawa, Ont.

Dear Mr. FRASER,—When Mr. Borden and I were in your office on the 17th instant, you took exception to the practice followed in this office of making additions to contractors' accounts. I tried to explain at the time how unavoidable this was. Perhaps a concrete case will make the matter clearer.

One of our contractors, Messrs. E. G. Hachborn & Co., made a shipment of five cases of great coats on the 4th instant, in their cases numbered, 54, 55, 56, 57 and 58. Each of these cases contained a packing slip giving the contents by sizes.

The inspector reports that 332 great coats had been received in this lot, instead of 329 as invoiced. This was shown as follows:—

	Invoiced.	Inspected.
Case No. 54	65	65
“ “ 55	69	69
“ “ 56	65	66
“ “ 57	65	66
“ “ 58	65	66

More than this our records show exactly what size is in excess in each case; for instance, in case 56, six great coats of size 3 were received instead of five as per packing slip; in case 57, nine great coats of size 6 were received instead of eight as per packing slip; in case 58, twenty-nine great coats of size 4 were received instead of twenty-eight as per packing slip.

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In a case like this, which is representative and is happening all the time, and several times a day, we can do one of three things—(1) we can return the surplus; the objection to this is that we want the great coats, and returning them simply means extra freight or express charges for some one to pay.

(2) We can keep the great coats and make no change in the invoice; and thus not pay for the clothing although we retain it. This I understand is Mr. Folkin's suggestion. The objection to this is that it is not very honest; and that it would offer a far greater temptation on the part of the Inspection staff than any other possible arrangement.

The goods are there, and there is no trace of them whatever, provided the inspector reports merely the quantity shown on the invoice. H. Mann has evidently no trace of them; the inspection reports by this hypothesis would ignore them, and of course the Ordnance Stores to whom ordinarily they would be delivered know nothing about them.

Mr. Folkin's suggestion would merely mean that the great coats, or any articles sent into the Inspection Room in excess of the invoiced quantities, would be a free gift to any inspector who was dishonest enough to take them.

(3) We can do as we are doing, namely, have the inspector report the actual quantities received, and pay the contractor for these quantities.

Immediately upon completion of the inspection these great coats are taken by a porter to the Ordnance Depot, and there counted twice by the men of the Ordnance Corps.

If the inspector did falsify the record, and report 332 coats when only 320 had been received he would be checked up at once by the Ordnance Corps men. These garments are counted at least by two different men in the Inspection Room and two in the Ordnance Stores. That the checking of the Ordnance Stores men is an actual one, we know by practical experience repeated many times.

Even assuming, which I trust is the case, that the entire Inspection Room is thoroughly honest and proof against any temptation, the objection to Mr. Folkin's suggestion, that we receive and retain, without notice to the contractor, all articles received in excess of the invoiced quantities, would result in a very short time in congestion. The space available there at any time is not great, and there seems to be no practical reason why the Inspection Room should be turned into a junk shop.

I have gone into this matter in detail so that you can see the difficulties of the case. While there may be objections to our practice, it seems to me it is less objectionable than any alternative.

Yours faithfully,

H. W. BROWN,
Director of Contracts.

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AUDITOR GENERAL'S OFFICE, December 4, 1914.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR,—Let me call your attention to the following vouchers paid by Cheques Nos. 1492 and 3346, charged to "War Appropriation" and paid at Headquarters:

Smart-Woods, Limited: Cheque 1492:—

25 only Hospital tents complete, \$125.	\$3,125 00
Less overcharge of \$5 on each tent	125 00
	<hr/>
	\$3,000 00
Add 8 Hospital tents, not charged, at \$120	960 00
	<hr/>
	\$3,960 00
	<hr/>

Skedden Brush Company: Cheque 3346:—

170 only Body horse brushes at 75 cents each	\$127 50
488 only Hard harness brushes at 31 cents each	151 28
	<hr/>
	\$278 78
Add 158 Body horse brushes at 75 cents each	118 50
	<hr/>
	\$397 28
	<hr/>

As these additions were evidently made in your Department, I have to request that you supply me with any information on your files which will explain more fully the reason for the large additions to these accounts.

I am, sir, your obedient servant.

J. FRASER,
Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,
OTTAWA, December 8, 1914.

SIR,—I beg to acknowledge receipt of your letter of the 24th ultimo, taking exception to a certain payment made to the Auburn Woollen Company, when the amount of their invoice charged was increased by \$55.08 by the officials of this department before payment.

Upon inquiry, I find that it is the custom of the inspection staff, in all such cases to take the weights of blankets as invoiced; provided the actual weights on inspection are found to be, at least, as much as the invoiced weights. The instance complained of happens to be a very rare exception. In this case, the invoice either had not been received by the inspectors or had been mislaid. They were, therefore, obliged to inspect and report the lot of blankets covered by the Auburn Woollen Company's invoice and report the lot of blankets without reference to the invoiced weights. The 1,600 blankets covered by the Auburn Woollen Company's invoices of the 19th August were inspected, half by Mr. Charles Burns, the Assistant Director of Contracts, and half by Mr. Charles Ferrill, one of the inspectors. Mr. Burns reported the receipt of 3,699 pounds, and Mr. Ferrill of 3,577½ pounds. These reports were sent to the department in the ordinary course; and the clerk whose duty it is to

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and the accounts for payment, followed the quantities given on the inspection report, instead of the invoiced quantities. This was in accordance with his instructions, because the report of the inspector is the voucher upon which all payments are made. As I have already explained, however, the case is quite an exceptional one and is not likely to recur, at least in the case of blankets.

Such a practice in the case of payments for blankets is open to at least one objection which does not apply to other goods generally; that the weight of the blanket fluctuates according to atmospheric conditions.

I find it has been the practice of the Contracts Branch to pay for quantities of goods as reported by the inspectors and not precisely as invoiced. This, of course, results in both additions to and deductions from the invoices. The practice appears more dangerous, I think, than it really is, since all such deliveries are at least double checked; and the connivance or collusion of officers of, at least, three different offices would be necessary, if fraud were the object.

The inspector's report showing quantities received is made in triplicate; one copy is kept in the inspection room, one copy is sent to the principal ordnance officer, to whom the goods are sent from the inspection room, and the third copy is sent to the Director of Contracts. If the inspector reported quantities in excess of those actually received, the discrepancy would be immediately discovered and reported by the Stores Branch. Moreover, the Principal Ordnance Officer is obliged to furnish the Director of Contracts with a receipt for all such deliveries after the goods have been checked. The Stores Audit Branch, under the Accountant and Paymaster General of the Department, constitutes another safeguard, as all such papers are reviewed by him.

There is therefore not a double but a triple check, and that it is an actual practical check is proved by the amount of correspondence on the files upon just such matters.

In the past, it has been assumed that if the inspector's report is to be taken as conclusive evidence of the delivery of the goods, then additions to as well as deductions from the quantities invoiced should be made in accordance with the inspection reports. This practice certainly has the merit of expediting the work; it saves much time and correspondence, and with the safeguards which we have, cannot very well be abused.

I should add that all accounts for goods which are presented to the Director of Contracts for his certificate are invariably accompanied by the proper inspection report; so that Mr. Brown can and does assure himself that the bill is in accordance with the report.

Mr. Brown tells me that he has already explained this matter to your Mr. Folkins; and that Mr. Folkins has made some inquiry into and examination of the system as outlined above.

I am, sir,

Your obedient servant,

(Sgd.) EUG. Fiset, Colonel.

Deputy Minister of Militia and Defence.

The Auditor General,
Ottawa.

SESSIONAL PAPER No. 122

THE AUDITOR GENERAL'S OFFICE

November 11, 1914

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR,—Let me call your attention to the following payment made to the Auburn Woollen Company, of Peterborough, Ont., charged to the War Appropriation and paid at Headquarters. The voucher contains the following:

Cheque 2241.

1,600 Saddle Blankets, 4½ lbs., 7,200 lbs. @ 72 cents.	\$5,184 00
16 @ \$1.25 cases... ..	20 00
	<hr/> \$5,204 00
Less 16 cases (charges not allowed @ \$1.25 each) ..	20 00
	<hr/> \$5,184 00
Add 76½ lbs. Saddle blankets not charged	
@ 72 cents per lb..	55 08
	<hr/>
Bal.	\$5,239 08

The deduction of \$20 for cases, and the addition of \$55.08 for overweight on blankets, were apparently made in the Department. The deduction was, I presume, on account of certain conditions in the contract which did not provide for this charge. As to the increase of the claim, on account of 1,600 blankets running in weight over the 4½ pounds, perhaps increased by dampness in transit or other causes, it does not appear reasonable. The claimant, apparently, did not weigh these blankets, but was satisfied that they would average at least 4½ pounds, and on this basis made out his claim.

The amount involved in this case is not large, but it seems to me the principle of allowing the original vouchers to be increased by an official of the Department, is not a good one. I find there are many other cases similar to this one.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR'S GENERAL OFFICE.

OTTAWA, February 2, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I understand that the Units of the Permanent Force which went abroad took with them a certain number of horses, which were paid for out of the Permanent Force Vote. Please supply me with the number of remounts taken abroad by each unit of the Permanent Force, which were paid for out of this vote.

I am, sir,
Your obedient servant,

(Sgd.) J. FRASER,
Auditor General.

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		No.
"Royal Edward"	Wagons, Bain, G. S.	13
	Carts, Water	2
"Ruthenia"	Wagons, Bain, G. S.	2
	Carts, Water	2
	Trucks, Motor	1
	Wagons, Ambulance	1
	Carts, Telephone	1
"Scotian"	Wagons, Bain, G. S.	14
	Carts, Water	2
	Wagons, Ambulance	2
"Sicilian"	Wagons, Bain, G. S.	2
"Scandinavian"	Wagons, Ambulance	9
	Wagons, Ammunition	12
"Saxonia"	Wagons, Bain, G. S.	29
	Carts, Water	4
	Wagons, Ammunition	54
	Wagons, Bain, G. S.	27
"Zealand"	Carts, Water	2
	Carts, Telephone	5
	Wagons, Ammunition	57
	Wagons, Bain, G. S.	100
	Carts, Water	19
"Manhattan"	Trucks, Motor	90
	Wagons, Ambulance	27
	Wagons, Pontoon, Engineers	4
	Carts, Tool	8

J. L. B., Colonel,
Director of Supplies and Transport.

AUDITOR GENERAL'S OFFICE,

OTTAWA, January 11, 1915.

E. F. JARVIS, Esq.,

Acting Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 7th instant, H.Q., 688-1-32, which gives the number of remounts taken on board the transports at Quebec, with the first contingent.

In my letter of the 25th November, requesting this information, I also asked to be supplied with the number and kind of wagons, carts, motor lorries, motor cars, motorcycles and bicycles placed on board the transports with this contingent. Please let me have this information at your earliest convenience.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

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DEPARTMENT OF MILITIA AND DEFENCE

Ottawa, December 1, 1914.

The Adjutant-General of Canada,
Ottawa, Ont.

SIR, In reply to your letter of 27th December regarding the horses taken on board the transports at Quebec with the first contingent, I beg to advise that they were as follows:—

SS. <i>Athenia</i>	331
<i>Aurora</i>	19
<i>Corinthian</i>	208
<i>Grampian</i>	672
<i>Incense</i>	628
<i>Lalonia</i>	612
<i>Montreal</i>	815
<i>Manitoba</i>	635
<i>Monmouth</i>	646
<i>Montezuma</i>	976
<i>Sicilian</i>	491
<i>Saxonia</i>	633
<i>Royal Green</i>	11
<i>Manhattan</i>	823
Total	7,920

I have the honour to be, sir,
Your obedient servant,

(Sgd.) E. F. JARVIS,
Acting D.M.M. & D.

AUDITOR GENERAL'S OFFICE,
OTTAWA, December 23, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I have to acknowledge receipt of your letter of 21st instant with cheques for purchase of remounts.

I notice that most of these cheques are for large amounts paid, apparently to persons who were not the real vendors. I shall require the forms on which were entered the owner's name, description of horse, price paid, etc. There are a few cases in which these are attached to the cheques.

Please let me have the rest of these forms as soon as possible.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE,
OTTAWA, December 22, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I beg to acknowledge receipt of your letter of the 19th instant, with enclosed statement showing the amount expended in the purchase of remounts for the first overseas contingent,

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In this connection let me call your attention to my letter of the 25th November, in which I asked for the number of remounts taken on board the transports at Quebec, for first contingent. Please let me have this information at your earliest convenience.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE,

OTTAWA, November 25, 1914.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR.—Please supply this office with the number of wagons, carts, motor lorries, motor cars, etc., placed on board the Transports with the First Overseas Contingent. If possible, I should like you to designate under each head the kind of wagons or cars, etc., so shipped.

I have also to request that the number of horses placed on board these Transports be supplied.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE,

January 12, 1915.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR.—Let me call your attention to Cheque No. 4241, charged to "War Appropriation", and paid at headquarters.

This payment of \$1,100 is for space in a number of supplements of *The Standard*, Montreal. The account does not state the nature of the service rendered, and there is no specimen of the work, but it would seem to be in the nature of an advertisement and should have been submitted to the King's Printer for his certificate. But as this has not been done, an Order in Council should be obtained authorizing this payment.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE,

January 11, 1915.

The Deputy Minister of
Militia and Defence,
Ottawa.

SIR.—Let me call your attention to Cheque No. 4279 for \$8,605, and No. 4558 for \$54,754.25, charged to "War Appropriation," and paid at Headquarters. Both these cheques are for payments to the White Star-Dominion Line, for transportation of troops, etc. The former is for transportation of Veterinary Corps, by the Steamship *Megantic*, and the latter is for the transportation of the Princess Patricia's Light Infantry, on the Steamship *Megantic*, from Montreal to a port in England.

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As these claims are not to be adjusted by the British Admiralty in London, as in the case of the other Steamship claims, and as the accounts for the transportation of the Princess Patricia's is somewhat out of the ordinary on account of the Regiment disembarking at Quebec, instead of a port in England, I have to request that you obtain the authority of the Governor in Council for these payments.

I am, sir, your obedient servant,

J. FRASER,

Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, December 16, 1914.

The Auditor General of Canada,
Ottawa, Ont.

SIR,—In reply to your letter of the 10th inst., regarding payment to Colts Patent Fire Arms Co., your attention is directed to Order in Council (P.C. 2787) of November 6, 1914, for authority for purchase of spare parts for these Auto Rapid Firing Guns.

I have the honour to be, sir,
Your obedient servant,

(Sgd.) EUG. Fiset, Colonel.

Deputy Minister Militia and Defence.

AUDITOR GENERAL'S OFFICE, December 10, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I am in receipt of your application for a Bill of Exchange of \$26,944.45, in favour of the Colts Patent Fire Arms Manufacturing Co., of Hartford, Conn.

The Order in Council authorizing the purchase of these guns provides for extra barrels, extra feed belts and loading machines, but makes no provision for extra equipment supplied, amounting to \$2,689.45, for which payment is asked. I presume authority will be sought to cover the purchase of this extra equipment. In the meantime I am passing your application.

I am, sir, your obedient servant,

(Sgd.) J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE, January 13, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I am in receipt of voucher No. 4276 for \$1,255.25, charged to "War Appropriation," which is in payment of Mr. L. Deschene's account, being a commission of 5 per cent on total proceeds of sale of military horses at Quebec, October 22 to 26, 1914.

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This account has not been certified as to commission paid being "fair and just," and as there apparently has not been an agreement or contract entered into for the performance of this service, I have to request that an Order in Council be obtained authorizing payment.

I am, sir, your obedient servant,

(Sgd.) J. FRASER,
Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, December 8, 1914.

The Auditor General of Canada,
Ottawa, Ont.

SIR,—In reply to your letter of the 25th inst., the amount credited to Miscellaneous, Militia Revenue in the Departmental Statement of Deposits No. 28, \$25,105, was so credited in error.

I am, sir, your obedient servant,

EUG. Fiset, Colonel,
Deputy Minister of Militia and Defence.

AUDITOR GENERAL'S OFFICE, December 5, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—The account for the sale of 466 horses at Valcartier Camp, October 22 to 26, last, amounting to \$25,105 has just been received, and it is found that this amount has been credited in your statement of deposits No. 28 to Miscellaneous Militia Revenue.

It is presumed that when the department purchased these horses the payments were charged to the "War Appropriation." If such is the case an application should be made to this office to have the amount transferred to the credit of that appropriation.

I am, sir, your obedient servant,

J. FRASER,
Auditor General.

AUDITOR GENERAL'S OFFICE, January 25, 1915.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—Let me remind you that I have not received the accounts in support of the expenditure at Valcartier, amounting to over two million dollars. As it is now nearly six months since the greater part of this expenditure was made, and as it is very important that the audit of these accounts should proceed as rapidly as possible, I have to request that vouchers and paylists be forwarded this office without further delay.

J. FRASER,
Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, December 14, 1914.

The Auditor General of Canada,
Ottawa, Ont.

SIR,—I am in receipt of yours of the 11th inst., asking for vouchers in connection with Separation Allowance, Assigned Pay, Pay and Subsistence, and Purchase of

5 GEORGE V., A. 1915

Remounts. These will all be forwarded to you at an early date with the exception of Pay and Subsistence which we will be unable to obtain for some time yet as most of these vouchers are in England and some little time may elapse before the Overseas Paymaster will have them in order.

I note what you say regarding purchases, contracts and certificates and am to say that these will have my early attention.

I have the honour to be, sir,
Your obedient servant,

(Sgd.) EUG. Fiset, Colonel.
Deputy Minister, Militia and Defence.

(COPY.)

December 11, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—During the months of August, September and October large advances, amounting to nearly \$4,000,000, have been made out of War Appropriation for which no accounting has been made to this office. They are as follows:—

Separation allowances.. . . .	\$ 180,000.00
Assigned pay.. . . .	200,000.00
Pay and subsistence.. . . .	2,173,500.00
Purchase of remounts.. . . .	1,363,000.00
Total.. . . .	<u>\$3,916,500.00</u>

It is very important that the audit of these accounts should proceed as rapidly as possible and I have to request that the vouchers and paylists should be sent me without any further delay.

In connection with the purchase of other supplies I have received some of the vouchers but the contracts have not been sent me although I have frequently asked for them. All orders or contracts up to December 1 must be sent me at once and also copies of the tenders where such have been called for.

From the vouchers already received it would appear that large purchases have been made for which the authority of the Governor in Council has not been obtained. This is a direct violation of the War Appropriation Act and must be remedied at once. Many large purchases have been made from small retail firms and the prices paid appear to be excessive although the vouchers bear the certificate that the prices are fair and reasonable.

A very objectionable practice appears to prevail of adding to the accounts which have been received from the dealers. No larger amount than that claimed can be allowed. If the account is not correct it should be returned for correction. I observe that in a number of cases where the dealer has made a discount of 20 per cent you appear to have reduced this to 10 per cent. In all such cases I shall require a satisfactory explanation.

In some cases the quantities charged in the accounts have been added to. This is also irregular, as I imagine the dealers check their shipments and should know the quantities for which they are entitled to payment. All these matters require immediate attention or I shall be obliged to reject the vouchers.

SESSIONAL PAPER No. 122

I understand that where purchases are made in the United States for shipment abroad no duties are collected. The accounts must state where such is the case.

I have to request that these matters should receive your immediate attention.

I am, sir,

Your obedient servant,

J. FRASER,

Auditor General.

AUDITOR GENERAL'S OFFICE,

January 12, 1915.

E. F. JARVIS, Esq.,

Acting Deputy Minister of Militia and Defence,
Ottawa.

SIR,—I am in receipt of your letter of the 6th instant, H.Q. 202-13-4, regarding warrants for transports supplied in connection with the "War Appropriation."

In your reply you have supplied the information requested in the case of Miss Ruby Harvey, and Colonel and Miss Smith, but in the balance of the cases you have merely noted that they were all on official business in connection with the mobilization of troops, and were duly authorized by the Honourable Minister. In all other cases the warrants state under "B" the nature of the service, for instance, warrant No. 20358, is for transport of seven men from Valcartier to Ottawa, and the service is given as "return of men with remounts." I think that the nature of the service should be supplied in each case.

Please let me have this information for the balance of the cases mentioned in the memorandum sent you on the 23rd December.

I am, sir, your obedient servant,

(Sgd.) J. FRASER,

Auditor General.

DEPARTMENT OF MILITIA AND DEFENCE,

OTTAWA, January 6, 1915.

The Auditor General,
Ottawa.

SIR,—Replying to your communication of the 23rd ultimo, enclosing memorandum of transportation supplied in connection with War Appropriation expenditure I am to say in reference to the case of Miss Ruby Harvey that this lady is attached as a nurse in the Army Medical Corps; Colonel and Miss Smith—this passage was supplied to the Judge Advocate General and his secretary on official business with the British Admiralty.

The balance of the cases noted by you were all on official business in connection with the mobilization of troops and were duly authorized by the Honourable the Minister.

I have the honour to be, sir,

Your obedient servant,

(Sgd.) E. F. JARVIS,

Acting D.M., M. & D.

5 GEORGE V., A. 1915

AUDITOR GENERAL'S OFFICE, December 23, 1914.

The Deputy Minister of Militia and Defence,
Ottawa.

SIR,—Let me call your attention to some of the transport warrants and vouchers for transportation, issued by your Department, charged to "War Appropriation," and paid at headquarters.

The vouchers on the attached statement for steamer travel do not indicate the nature of the service, which, it seems to me, should be stated in each case, and the warrants do not show under Clause B, the service, but in most cases say "Minister's account."

Please let me have this information at your earliest convenience.

I am, sir, your obedient servant,

(Sgd.) J. FRASER,
Auditor General.

TRANSPORTATION VOUCHERS AND WARRANTS.

- No. 3216. Miss Ruby Harvey, October 14, New York to Liverpool.
 2867. Col. Smith and Miss Smith, September 20, New York to London.
 3093. W. A. Ross, October 8, Montreal to Liverpool.
 3092. Capt. J. N. Grant, October 8, Montreal to Liverpool.
 3080. Major Hughes and Major Dickson, October 3, to London.
 3576. Lt.-Col. Geo. P. Murphy, October 28, New York to Liverpool.
 3358. Col. McBain, October 21, New York to Glasgow.
 2998. Capt. Dowling, September 23, Halifax to London.
 20265. Mrs. G. T. Wurtelle, September 5, Ottawa to Valcartier and return.
 20262. Mrs. Monk and daughter, September 5, Ottawa to Valcartier and return.
 20267. J. A. Williamson, Dr. McCulloch, J. A. Glass, September 8, Ottawa to Valcartier and return.
 20269. F. D. Moore, September 9, Ottawa to Valcartier and return.
 20340. Henry T. Bate, September 7, Ottawa to Valcartier.
 20372. M. Williams, September 9, Ottawa to Valcartier and return.
 20373. John Carue, September 9, Ottawa to Valcartier and return.
 20374. J. H. Brandon, September 9, Ottawa to Valcartier and return.
 20375. Wm. McArthur, September 9, Ottawa to Valcartier and return.
 20384. J. McAlpine, September 9, Ottawa to Valcartier and return.
 20395. Rodolphe F. Girard, September 11, Ottawa to Valcartier and return.
 20397. Capt. W. S. Wood, September 12, Ottawa to Valcartier and return.
 20398. Capt. W. S. Wood, September 12, Ottawa to Valcartier and return.
 20454. Wm. F. Sharpe, September 12, Ottawa to Valcartier and return.
 20453. Capt. W. S. Wood, September 12, Ottawa to Valcartier and return.